

Maximization of a Hedged Investment Budget for an Index-Linked Insurance Product**Abstract of the Disclosure**

[0058] An index-linked insurance product having an annual guarantee is implemented having a maximized hedged investment budget. A net premium payment is allocated to a fixed income investment and an annual fixed income yield is projected. The maximized hedged investment budget is determined by deducting from the projected annual fixed income a product spread and an estimated cost of the annual guarantee. The deducted estimated cost of the annual guarantee is allocated to a risk fund. The maximized hedged investment budget is allocated to a hedged investment designed to generate proceeds for supporting index-linked earnings credited to the index-linked insurance product. Upon expiration of the product term, if the amount credited based on the index-linked earnings does not equal to at least the compounded annual guarantee, the amount credited is increased to be equal to the compounded annual guarantee. The increased credit may be supported using funds from the risk fund and other reserves if necessary.

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